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June 8, 2012

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Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

We are writing on behalf of Nelson Telephone Cooperative, a provider of local exchange and other communications services in Durand, WI. This letter is sent to seek clarification and further details from the Wireline Competition Bureau with respect to the operations and effects of the quantile regression analysis and related caps on Universal Service Fund (USF) support.

Nelson Telephone Cooperative is located in west central Wisconsin and serves 3,548 telephone access lines and 1,933 broadband customers in four exchanges. Our serving area covers 368 square miles which equates to 9.64 access lines per square mile. We currently have 1,132 route miles of outside plant facilities which equates to 3.13 customers per route mile. Of the 1,132 route miles, 542 of the miles are fiber. Our serving area has many hills, valleys, woodlands and rivers which makes plowing fiber more costly.

Nelson Telephone Cooperative has used fiber optics for many years to support their primary network, but we are just beginning placement of fiber to the home this summer. Our intention is to eventually serve all our customers via fiber to the home. This strategy may now have to change due to a reduction in revenues; mainly the loss of safety net support and the impact of the caps created by the new regression model. We recently received an estimate from NECA that our USF support is being reduced by \$912,000 over the next three years. \$700,300 of this reduction is due to safety net support reductions and \$197,000 is due to the regression model caps.

To assess why these caps have affected Nelson Telephone Cooperative and what, if anything, can be done to avoid the application of these caps either now or in future years, we need further information or guidance from the bureau. Specifically, we need to understand:

1. How our study area boundary was established in the formulas used to develop the caps applicable to Nelson Telephone Cooperative.
2. What census blocks were included within those study area boundaries used in the formulas applicable to Nelson Telephone Cooperative.
3. What specific costs of Nelson Telephone were deemed "excessive" under the caps.

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4. What, if anything, could be done to avoid the application of these caps in the first year through changes by Nelson Telephone Cooperative to operations or investment practices.
5. What, if anything, could be done to avoid the application of these caps in subsequent years through changes by Nelson Telephone Cooperative to operations or investment practices.
6. How Nelson Telephone Cooperative can determine what changes, if any, might occur to the formulas and caps in subsequent years so that Nelson Telephone Cooperative can plan accordingly to operate and invest in as "efficient" and "prudent" a manner as possible by reference to the caps.

This information, and any related underlying data that the bureau can provide with respect to how and why the caps affect Nelson Telephone Cooperative, will be essential in allowing Nelson Telephone Cooperative to develop network investment and operating plans that account for the effect of the caps and restore predictability to the USF support we receive. In the absence of this information, Nelson Telephone Cooperative fails to see how the caps will encourage "efficient" or "prudent" behavior or provide a predictable support mechanism because we will not know what is expected by the new rules or how they will affect future support distributions.

Please provide this information and guidance as soon as possible to Nelson Telephone Cooperative so that we may make every reasonable effort to address and respond to the effects of the caps as soon as possible.

Thank you for your attention to this request.



Christy Berger
General Manager

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